

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT

CORUNNA, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 8, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Shiawassee Regional Educational Service District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shiawassee Regional Educational Service District, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Shiawassee Regional Educational Service District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shiawassee Regional Educational Service District as of June 30, 2007, and respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Special Education Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 8, 2007 on our consideration of the Shiawassee Regional Educational Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - IX, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shiawassee Regional Educational Service District's basic financial statements. The additional information on pages 20 - 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The Management Discussion and Analysis, a requirement of GASB 34, is intended to be the Shiawassee Regional Education Service District's (SRES) administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Special Education is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

District Wide Financial Statements: (Continued)

These two statements report the Shiawassee Regional Educational Service District net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction and support services. Property taxes, unrestricted State aid, and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2007 and 2006:

	<u>NET ASSETS SUMMARY</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets	\$11,236,877	\$11,692,143
Non-Current Assets	<u>4,605,506</u>	<u>3,893,060</u>
<u>TOTAL ASSETS</u>	<u>\$15,842,383</u>	<u>\$15,585,203</u>
<u>LIABILITIES</u>		
Current Liabilities	\$2,146,091	\$2,008,574
Long-Term Liabilities	<u>992,648</u>	<u>1,018,674</u>
Total Liabilities	\$3,138,739	\$3,027,248
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	5,360,360	4,192,656
Unrestricted	<u>7,343,284</u>	<u>8,365,299</u>
Total Net Assets	<u>\$12,703,644</u>	<u>\$12,557,955</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$15,842,383</u>	<u>\$15,585,203</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2007 and 2006, the District wide results of operations were:

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$421,472	\$400,200
Property Taxes Levied for Special Education Services	6,933,442	6,580,465
State of Michigan Unrestricted Foundation Aid	2,453,691	2,228,148
Other General Revenues	<u>488,724</u>	<u>394,112</u>
Total General Revenues	\$10,297,329	\$9,602,925
<u>Operating Grants:</u>		
Federal	3,444,890	3,807,788
State of Michigan	4,662,339	4,012,063
Other Operating Grants	<u>10,000</u>	<u>836,901</u>
Total Operating Grants	\$8,117,229	\$8,656,752
<u>Charges for Services:</u>		
Other Charges for Services	<u>1,540,653</u>	<u>1,583,014</u>
Total Revenues	\$19,955,211	\$19,842,691
<u>EXPENSES</u>		
Instruction & Instructional Support	4,958,541	4,636,239
Support Services	14,779,885	15,222,121
Community Services	15	100
Other Capital Outlay	0	49,047
Interest - Long-Term Obligations	0	34,747
Depreciation	<u>71,081</u>	<u>36,021</u>
Total Expenses	\$19,809,522	\$19,978,275
<u>CHANGE IN NET ASSETS</u>	\$145,689	(\$135,584)
<u>BEGINNING NET ASSETS</u>	<u>12,557,955</u>	<u>12,693,539</u>
<u>ENDING NET ASSETS</u>	<u>\$12,703,644</u>	<u>\$12,557,955</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets increased by \$145,689 to a total of \$12,703,644. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$1,167,704 during the year due to purchases of a building and land. The District's Unrestricted Net Assets decreased by \$1,022,015 during the year. The restricted capital projects fund may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The total revenues increased by \$112,520 over last year's amounts. The major changes were increases in property tax revenue, increases in state aid and Medicaid. Expenditures decreased by \$168,753 over last year. Major changes were in the area of support services.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$579,260 primarily through a year end transfer of funds to the construction fund. Revenues and other financing sources for the year increased by \$568,122 over the prior year, due primarily from additional local and state funding. Expenditures and other financing uses increased by \$1,085,009 over the prior year, due to a new grant for enhancing education through technology and transfers to other funds.

1. State of Michigan Aid (Section 81)

The State of Michigan aid provided under Section 81 of the State Aid Act provides the majority of state aid to the District's General Fund. Funding to the District under Section 81 is provided to comply with the requirements of the State Aid Act and to provide technical assistance to local districts as authorized by the intermediate school board. Funding under Section 81 was \$1,032,298 for the fiscal year an increase of \$132,469 over the previous year.

2. Property Taxes Levied For General Operations (General Fund Homestead and Non-Homestead Taxes)

The District levies .2238 mills of property taxes for operations (General Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2006-2007 fiscal year was \$421,472. An increase of \$17,476 from the prior year.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

Special Education Fund

Unreserved fund balance for the special education fund decreased by \$489,509 during the year with the decrease coming primarily from a decrease in cash. Revenues and other financing sources for the year decreased by \$285,075 primarily from a decreases in state aid and federal funds. Expenditures and other financing uses increased by \$852,806, primarily in the areas of instruction, transportation and transfers to other funds. The major source of special education revenues is from state aid and local taxes. An analysis of them is as follows:

1. State of Michigan Aid (Section 51)

The State of Michigan aid provided under Section 51 of the State Aid Act provides the majority of state aid to the District's Special Education Fund. Funding to the District under Section 51 is provided to reimburse the District for unreimbursed costs of special education programs, services and special education personnel. Funding under Section 51 was \$1,599,435 for the fiscal year a decrease of \$355,539 from the previous year due to an increase in Federal IDEA dollars that support special education programs.

2. Property Taxes Levied For General Operations (Special Education Fund Non-Homestead Taxes)

The District levies 3.6802 mills of property taxes for operations (Special Education Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2006-2007 fiscal year was \$6,933,442. An increase of \$343,369 from the prior year.

BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$3,596,452	\$4,292,232	\$4,259,163	19.35	0.77
Expenditures	3,989,265	5,074,815	4,838,423	27.21	4.66
<u>TOTAL</u>	<u>(\$392,813)</u>	<u>(\$782,583)</u>	<u>(\$579,260)</u>		

Original vs. Final Budgets

Revenues

Local revenue increased in the amount of interest received for funds on deposit. State revenue increased with a grant for enhancing education through technology as a grant for the early childhood. Additionally, the State of Michigan added Section 104.1 Assessment Reimbursements.

Expenditures

Expenditures increased as well with the preschool grant and the enhancing education through technology grant. There was an end of the year transfer of \$500,000 from the general fund to the construction fund for the renovation of the North Street building. Additionally, the State of Michigan added Section 104.1 Assessment Costs.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

BUDGETARY HIGHLIGHTS (Continued):

Actual Results vs. Final Budgets

Revenues

Oakland Schools Reading First program provided additional year-end local revenue for the LETRS program to districts who requested the funds, from which Shiawassee RESD took advantage. Great Parent/Great Start Collaboration and Enhancing Education through Technology State grants did not expend all of the state funds, and these funds have been reserved as carry-over funds for the 2007-2008 fiscal year. Additionally, the WIA program through Career Alliance did not expend all of the revenue that was budgeted for that program.

Expenditures

As part of the instructional expenditures, Great Parents/Great Start Collaborative and the WIA program were not able to expend the total budgeted expenditures for their programs. As well, support services did not expend all of the fund budgeted for Enhancing Education through Technology. All other categories had unexpended funds as part of an effort to reduce the projected fund balance deficit.

SPECIAL EDUCATION FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$16,515,138	\$16,218,700	\$16,164,630	1.79	0.33
Expenditures	16,969,937	16,839,517	16,654,139	0.77	1.10
<u>TOTAL</u>	<u>(\$454,799)</u>	<u>(\$620,817)</u>	<u>(\$489,509)</u>		

Original vs. Final Budgets

Revenues

Additional revenues in property tax and interest on deposits occurred in local revenue. State revenue adjustment through the year decreased the amount of revenues that were originally projected in the form of state revenues. The final federal revenues increased from the original budget by increases in federal grant funds.

Expenditures

The Early On Grant did not expend its total budget and will be carried over to spend in the 2007-2008 fiscal year. At the beginning of the fiscal year when the budget is first adopted it was not known that the Special Education fund would transfer \$500,000 to the construction account for renovations to the North Street Building.

Actual Results vs. Final Budgets

Revenues

The increase in local revenue occurred largely due to additional interest income. Additional state revenue came from additional Medicaid funds school aid and administrative outreach funds. Federal revenues recognized a decrease from the budget by expenditures not yet received through federal programs that occur during the summer months.

Expenditures

The largest unexpended area was in the Early On Federal grant and these will be carried over to be expended in 2007-08. There were unexpended funds in Operation and Maintenance in the area of construction, equipment and equipment replacement through the use of Durant funds for those expenses. The unexpended funds in Transportation were largely in the area of utilities that were not fully recognized due to the volatile consumer's utility market.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Shiawassee Regional Educational Service District amends its budget during the school year. The June, 2007 budget amendment was the final budget for the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-06	Increases 6-30-07	Principal Payments 6-30-07	Principal Balance 6-30-07
Durant Bonds	\$940,309	\$0	\$0	\$940,309
Installment Contracts	83,766	0	83,766	0
Vacation & Sick Days Payable	99,093	0	46,754	52,339
<u>Total Long-Term Obligations</u>	<u>\$1,123,168</u>	<u>\$0</u>	<u>\$130,520</u>	<u>\$992,648</u>

B. Capital Assets

The district's net investment in capital assets increased by \$556,265 during the fiscal year. This can be summarized as follows:

	Balance 7-1-06	Additions	Deductions	Balance 6-30-07
Capital Assets	\$6,667,494	\$876,394	\$0	\$7,543,888
Less: Accumulated Depreciation	(2,774,434)	(320,129)	0	(3,094,563)
<u>Net Investment Capital Outlay</u>	<u>\$3,893,060</u>	<u>\$556,265</u>	<u>\$0</u>	<u>\$4,449,325</u>

Significant additions were the addition of 2 new buses, technology equipment and real estate.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,208 per pupil for the 07-08 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to decrease to 16.72% in 07-08 from 17.74% in 06-07. The forecast is based on actuarial assumptions.

- * The Shiawassee Regional Educational Service District's 2007-2008 adopted budget is as follows:

	<u>General</u>	<u>Special Ed</u>	<u>Total</u>
<u>REVENUE</u>	\$4,177,613	\$16,682,305	\$20,859,918
<u>EXPENDITURES</u>	<u>4,478,265</u>	<u>16,802,010</u>	<u>21,280,275</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$300,652)</u>	<u>(\$119,705)</u>	<u>(\$420,357)</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Shiawassee Regional Educational Service District.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$9,113,350
Investments	626,706
Notes Receivable	2,039
Due from Other Governmental Units	1,204,181
Prepaid Expenses	290,601
Total Current Assets	<u>\$11,236,877</u>
<u>NON-CURRENT ASSETS</u>	
Construction in Progress	156,181
Capital Assets	7,543,888
Less: Accumulated Depreciation	<u>(3,094,563)</u>
Total Noncurrent Assets	<u>\$4,605,506</u>
<u>TOTAL ASSETS</u>	<u><u>\$15,842,383</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$34,861
Salaries Payable	972,927
Accrued Expenses	150,523
Deferred Revenue	987,780
Total Current Liabilities	<u>\$2,146,091</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>992,648</u>
<u>TOTAL LIABILITIES</u>	<u>\$3,138,739</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	5,360,360
Unrestricted	<u>7,343,284</u>
<u>TOTAL NET ASSETS</u>	<u>\$12,703,644</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$15,842,383</u></u>

See accompanying notes to the basic financial statements.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$4,958,541	\$0	\$3,080,923	(\$1,877,618)
Support Services	14,779,885	1,540,653	5,036,306	(8,202,926)
Community Services	15	0	0	(15)
Depreciation - Unallocated	71,081	0	0	(71,081)
<u>TOTALS</u>	<u>\$19,809,522</u>	<u>\$1,540,653</u>	<u>\$8,117,229</u>	<u>(\$10,151,640)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				7,354,914
State Aid				2,453,691
Investment Earnings				353,106
Miscellaneous				135,618
Total General Revenues and Transfers				<u>\$10,297,329</u>
Change in Net Assets				\$145,689
Net Assets - Beginning				<u>12,557,955</u>
<u>Net Assets - Ending</u>				<u>\$12,703,644</u>

See accompanying notes to the basic financial statements.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	General Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$3,306,333	\$4,136,108	\$1,670,909	\$9,113,350
Investments	26,354	576,098	24,254	626,706
Notes Receivable	2,039	0	0	2,039
Due From Other Governmental Units	1,050,675	153,506	0	1,204,181
Due From Other Funds	0	127,749	0	127,749
Prepaid Expenses	193,044	97,557	0	290,601
<u>TOTAL ASSETS</u>	<u>\$4,578,445</u>	<u>\$5,091,018</u>	<u>\$1,695,163</u>	<u>\$11,364,626</u>
<u>LIABILITIES</u>				
Accounts Payable	\$31,476	\$3,385	\$0	\$34,861
Due to Other Funds	127,749	0	0	127,749
Salaries Payable	734,398	238,529	0	972,927
Accrued Expenses	0	150,523	0	150,523
Deferred Revenue	964,670	23,110	0	987,780
Total Liabilities	\$1,858,293	\$415,547	\$0	\$2,273,840
<u>FUND BALANCES</u>				
Reserved For:				
Capital Projects	0	0	1,695,163	1,695,163
Designated for Subsequent Years Expenditures	1,425,784	5,164,980	0	6,590,764
Unreserved:				
Undesignated, Reported In:				
General Fund	1,294,368	0	0	1,294,368
Special Education Fund	0	(489,509)	0	(489,509)
Total Fund Balances	\$2,720,152	\$4,675,471	\$1,695,163	\$9,090,786
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$4,578,445</u>	<u>\$5,091,018</u>	<u>\$1,695,163</u>	<u>\$11,364,626</u>

See accompanying notes to the basic financial statements.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2007

Total Governmental Fund Balances:	\$9,090,786
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$7,543,888 and the accumulated depreciation is \$3,094,563	4,449,325
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Construction in Progress	156,181
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Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as
liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	\$940,309	
Compensated Absences Payable	<u>52,339</u>	
Total Long-Term Liabilities		<u>(992,648)</u>

<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>\$12,703,644</u>
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SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$712,781	\$7,173,398	\$25,511	\$7,911,690
State Sources	1,500,676	5,456,105	159,249	7,116,030
Federal Sources	442,700	3,002,190	0	3,444,890
Total Revenues	\$2,656,157	\$15,631,693	\$184,760	\$18,472,610
<u>EXPENDITURES</u>				
Current:				
Instruction	920,975	4,037,566	0	4,958,541
Student Services	321,704	5,984,605	0	6,306,309
Instructional Support	1,432,233	1,173,082	0	2,605,315
General Administration	352,353	0	0	352,353
School Administration	0	219,237	0	219,237
Business Administration	267,905	74,701	0	342,606
Operation & Maintenance of Plant	212,038	313,045	0	525,083
Transportation	0	1,507,334	0	1,507,334
Support Services - Other	827,202	164,214	0	991,416
Community Services	0	15	0	15
Capital Outlay	0	0	813,268	813,268
Total Expenditures	\$4,334,410	\$13,473,799	\$813,268	\$18,621,477
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$1,678,253)	\$2,157,894	(\$628,508)	(\$148,867)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) Other Funds	153,342	(1,153,342)	1,000,000	0
Other Transfers	945,651	(1,494,061)	0	(548,410)
Total Other Financing Sources (Uses)	\$1,098,993	(\$2,647,403)	\$1,000,000	(\$548,410)
Net Change in Fund Balance	(\$579,260)	(\$489,509)	\$371,492	(\$697,277)
<u>FUND BALANCE - BEGINNING</u>	3,299,412	5,164,980	1,323,671	9,788,063
<u>FUND BALANCE - ENDING</u>	\$2,720,152	\$4,675,471	\$1,695,163	\$9,090,786

See accompanying notes to the basic financial statements.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Total net change in fund balances - governmental funds	(\$697,277)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	556,265
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Construction in Progress	156,181
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	83,766
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Decrease in accrued compensated absences	<u>46,754</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>\$145,689</u></u>
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SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

	<u>Trust & Agency</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$8,884</u>
<u>TOTAL ASSETS</u>	<u><u>\$8,884</u></u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$8,884</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$8,884</u></u>

See accompanying notes to the basic financial statements.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$715,408	\$700,460	\$712,781	\$12,321
State Sources	980,329	1,520,444	1,500,676	(19,768)
Federal Sources	349,739	484,928	442,700	(42,228)
Total Revenues	<u>\$2,045,476</u>	<u>\$2,705,832</u>	<u>\$2,656,157</u>	<u>(\$49,675)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	745,698	1,016,815	920,975	95,840
Student Services	396,459	345,100	321,704	23,396
Instructional Support	1,316,809	1,467,100	1,432,233	34,867
General Administration	368,238	360,000	352,353	7,647
Business Administration	286,136	269,300	267,905	1,395
Operation & Maintenance of Plant	229,500	243,000	212,038	30,962
Support Services - Other	646,425	873,500	827,202	46,298
Total Expenditures	<u>\$3,989,265</u>	<u>\$4,574,815</u>	<u>\$4,334,410</u>	<u>\$240,405</u>
Excess of Revenues Over Expenditures	<u>(\$1,943,789)</u>	<u>(\$1,868,983)</u>	<u>(\$1,678,253)</u>	<u>\$190,730</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>1,550,976</u>	<u>1,086,400</u>	<u>1,098,993</u>	<u>12,593</u>
Total Other Financing Sources (Uses)	<u>\$1,550,976</u>	<u>\$1,086,400</u>	<u>\$1,098,993</u>	<u>\$12,593</u>
Net Change in Fund Balance	<u>(\$392,813)</u>	<u>(\$782,583)</u>	<u>(\$579,260)</u>	<u>\$203,323</u>
<u>FUND BALANCE - BEGINNING</u>			<u>3,299,412</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$2,720,152</u>	

See accompanying notes to the basic financial statements.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$7,133,310	\$7,150,000	\$7,173,398	\$23,398
State Sources	5,749,437	5,474,000	5,456,105	(17,895)
Federal Sources	3,019,033	3,041,000	3,002,190	(38,810)
Total Revenues	<u>\$15,901,780</u>	<u>\$15,665,000</u>	<u>\$15,631,693</u>	<u>(\$33,307)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	4,171,704	4,049,000	4,037,566	11,434
Student Services	6,423,355	6,048,100	5,984,605	63,495
Instructional Support	1,232,241	1,188,200	1,173,082	15,118
School Administration	330,408	226,300	219,237	7,063
Business Administration	75,000	84,500	74,701	9,799
Operation & Maintenance of Plant	321,512	331,950	313,045	18,905
Transportation	1,491,468	1,532,100	1,507,334	24,766
Support Services - Other	191,402	172,725	164,214	8,511
Community Services	0	0	15	(15)
Total Expenditures	<u>\$14,237,090</u>	<u>\$13,632,875</u>	<u>\$13,473,799</u>	<u>\$159,076</u>
Excess of Revenues Over Expenditures	<u>\$1,664,690</u>	<u>\$2,032,125</u>	<u>\$2,157,894</u>	<u>\$125,769</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(2,119,489)</u>	<u>(2,652,942)</u>	<u>(2,647,403)</u>	<u>5,539</u>
Total Other Financing Sources (Uses)	<u>(\$2,119,489)</u>	<u>(\$2,652,942)</u>	<u>(\$2,647,403)</u>	<u>\$5,539</u>
Net Change in Fund Balance	<u>(\$454,799)</u>	<u>(\$620,817)</u>	<u>(\$489,509)</u>	<u>\$131,308</u>
<u>FUND BALANCE - BEGINNING</u>			<u>5,164,980</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$4,675,471</u>	

See accompanying notes to the basic financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Shiawassee Regional Educational Service District conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Education Fund – The special education fund is used to account for financial resources to be used specifically for providing special education services to students within the School District.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2007, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had the following investments.

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
MILAF External Investment Pool - MIMAX	<u>\$626,706</u>	<u>0.0027</u>	AAAm	<u>100.00%</u>

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$9,216,044 of the District's bank balance of \$9,616,044 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$8,884	\$ 9,122,234
Investments	<u>626,706</u>
<u>TOTAL</u>	<u>\$ 9,748,940</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 8,884
Cash – District Wide	9,113,350
Investments – District Wide	<u>626,706</u>
<u>TOTAL</u>	<u>\$ 9,748,940</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 887,477
Federal Grants	242,807
Other	<u>73,897</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,204,181</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the School District had no estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2007.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$3,521,485	\$114,275	\$0	\$3,635,760
Land Improvements	33,060	0	0	33,060
Land	13,138	452,812	0	465,950
Equipment and Furniture	1,444,095	153,407	0	1,597,502
Vehicles	1,655,716	155,900	0	1,811,616
Totals at Historical Cost	\$6,667,494	\$876,394	\$0	\$7,543,888
Less: Accumulated Depreciation				
Buildings and Improvements	(723,153)	(71,081)	0	(794,234)
Land Improvements	(16,738)	(253)	0	(16,991)
Equipment and Furniture	(840,017)	(190,499)	0	(1,030,516)
Vehicles	(1,194,526)	(58,296)	0	(1,252,822)
Total Accumulated Depreciation	(\$2,774,434)	(\$320,129)	\$0	(\$3,094,563)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$3,893,060</u>	<u>\$556,265</u>	<u>\$0</u>	<u>\$4,449,325</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Support Services	\$ 249,048
Unallocated	71,081
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 320,129</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

9) CAPITAL ASSETS (Continued)

Investment in capital assets – net of related debt consists of the following:

Capital Assets	\$ 7,543,888
Construction in Progress	156,181
Less: Accumulated Depreciation	(3,094,563)
Less: Long-Term Liabilities	(992,648)
Compensated Absences	52,339
Capital Projects Fund Equity	<u>1,695,163</u>
 <u>TOTAL</u>	 <u>\$ 5,360,360</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2007 were \$72,592 and the School District received a dividend refund of \$27,774.

11) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Shiawassee Regional Educational Service District issued Durant Resolution Bonds on November 24, 1998 in the amount of \$2,106,774 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2007 was \$940,309.

B) Installment Contracts

Shiawassee Regional Educational Service District was indebted to Dell Marketing, L.P. in the amount of \$142,557 for computer equipment. The notes required annual principal payments per annum of \$47,519 and interest at 2.48% per annum. The contract was paid in full during the year.

Shiawassee Regional Educational Service District was indebted to Key Government Finance, Inc. in the amount of \$104,673 for computer equipment. The notes required quarterly principal payments per annum of \$11,167 and interest at 1.99% per annum. The contract was paid in full during the year.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

11) GENERAL LONG-TERM DEBT (Continued)

C) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2007 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2008	\$0	\$0	\$0
June 30, 2009	88,627	23,205	111,832
June 30, 2010	92,843	18,985	111,828
June 30, 2011	97,265	14,565	111,830
June 30, 2012	101,891	9,934	111,825
June 30, 2013	559,683	191,680	751,363
<u>TOTAL</u>	<u>\$940,309</u>	<u>\$258,369</u>	<u>\$1,198,678</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$295.

D) Changes in General Long-Term Debt

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
Durant Bonds	\$940,309	\$0	\$0	\$940,309	\$0
Installment Contracts	83,766	0	83,766	0	0
Vacation & Sick Days Payable	99,093	0	46,754	52,339	0
<u>Total Governmental Activities</u>	<u>\$1,123,168</u>	<u>\$0</u>	<u>\$130,520</u>	<u>\$992,648</u>	<u>\$0</u>

12) INTERFUND ACTIVITY

Interfund balances at June 30, 2007 consisted of the following:

DUE TO	DUE FROM
	SPECIAL EDUCATION FUND
General Fund	<u>\$127,749</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

TRANSFERS TO	TRANSFERS FROM		
	GENERAL	SPECIAL	
	FUND	EDUCATION	
	FUND	FUND	TOTAL
General Fund	\$0	\$653,342	\$653,342
Capital Projects Fund	500,000	500,000	1,000,000
<u>TOTAL</u>	<u>\$500,000</u>	<u>\$1,153,342</u>	<u>\$1,653,342</u>

The transfers are reimbursements to the general fund from the special education fund for overhead costs that are calculated annually and approved by the board.

14) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$1,572,615, \$1,443,251 and \$1,246,361, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

15) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

15) RISK MANAGEMENT (Continued)

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

16) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are the Special Education Cluster Grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL
INFORMATION

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
CAPITAL PROJECTS FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2007

	Building & Site	Durant I	Durant II	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$1,593,557	\$26,778	\$50,574	\$1,670,909
Investments	24,254	0	0	24,254
<u>TOTAL ASSETS</u>	<u>\$1,617,811</u>	<u>\$26,778</u>	<u>\$50,574</u>	<u>\$1,695,163</u>
<u>FUND EQUITY</u>				
Fund Balance - Reserved				
Capital Projects	<u>\$1,617,811</u>	<u>\$26,778</u>	<u>\$50,574</u>	<u>\$1,695,163</u>

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
CAPITAL PROJECTS FUND
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Building & Site</u>	<u>Durant I</u>	<u>Durant II</u>	<u>Total After Interfund Eliminations</u>
<u>REVENUES</u>				
<u>Local Sources</u>				
Earnings on Investments and Deposits	\$14,328	\$5,488	\$4,765	\$24,581
Miscellaneous Revenue	930	0	0	930
Total Local Sources	<u>\$15,258</u>	<u>\$5,488</u>	<u>\$4,765</u>	<u>\$25,511</u>
<u>State Sources</u>	<u>0</u>	<u>159,249</u>	<u>0</u>	<u>159,249</u>
Total Revenues	<u>\$15,258</u>	<u>\$164,737</u>	<u>\$4,765</u>	<u>\$184,760</u>
<u>OTHER FINANCING SOURCES</u>				
Transfers from Other Funds	1,000,000	0	0	1,000,000
Total Revenues and Other Financing Sources	<u>\$1,015,258</u>	<u>\$164,737</u>	<u>\$4,765</u>	<u>\$1,184,760</u>
<u>EXPENDITURES</u>				
Purchased Services	<u>0</u>	<u>456,135</u>	<u>357,133</u>	<u>813,268</u>
<u>EXCESS REVENUES OVER (UNDER)</u>				
<u>EXPENDITURES</u>	<u>\$1,015,258</u>	<u>(\$291,398)</u>	<u>(\$352,368)</u>	<u>\$371,492</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>602,553</u>	<u>318,176</u>	<u>402,942</u>	<u>1,323,671</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$1,617,811</u>	<u>\$26,778</u>	<u>\$50,574</u>	<u>\$1,695,163</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES FROM
Local Sources

Current Tax Levy	\$421,472
Earnings on Investments and Deposits	143,018
Other Local Revenues	148,291
Total Local Sources	<u>\$712,781</u>

State Sources

Math/Science	8,027
Section 81	1,032,298
Vocational Education	28,823
Great Parents	37,543
Other State Grants	393,985
Total State Sources	<u>\$1,500,676</u>

Federal Sources

IASA Title V	300
Vocational Education	177,837
Work Force Investment Act	231,303
Improving Teacher Quality	551
Homeland Security	32,709
Total Federal Sources	<u>\$442,700</u>
Total Revenues	<u>\$2,656,157</u>

OTHER FINANCING SOURCES

Transfers from Other Funds	653,342
Transfers from Other Districts	481,457
Other Transfers	468,207
Total Other Financing Sources	<u>\$1,603,006</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES
\$4,259,163

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTIONPre-School

Salaries - Professional	\$5,476
Fica, Retirement, Etc.	1,390
Purchased Services	77,530
Supplies and Materials	4,168
Other	291
Total Preschool	<u>\$88,855</u>

Vocational Education

Salaries - Professional	118,084
Salaries - Non-Professional	86,637
Insurances	39,604
Fica, Retirement, Etc.	47,760
Purchased Services	161,118
Supplies and Materials	60,597
Other	25,691
Total Vocational Education	<u>\$539,491</u>

Adult Education

Salaries - Professional	91,754
Salaries - Non-Professional	50,519
Insurances	28,224
Fica, Retirement, Etc.	21,448
Purchased Services	33,082
Supplies and Materials	44,684
Other	22,918
Total Adult Education	<u>\$292,629</u>

Total Instruction

\$920,975

SUPPORT SERVICESStudent Services

Salaries - Professional	86,938
Salaries - Non-Professional	19,714
Insurances	15,714
Fica, Retirement, Etc.	23,715
Purchased Services	148,087
Supplies and Materials	26,053
Other	1,483
Total Student Services	<u>\$321,704</u>

Instructional Staff

Salaries - Professional	181,462
Salaries - Non-Professional	431,605
Insurances	147,549
Fica, Retirement, Etc.	152,380
Purchased Services	426,689
Supplies and Materials	85,548
Capital Outlay	7,000
Other	0
Total Instructional Staff	<u>\$1,432,233</u>

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)

General Administration

Salaries - Professional	\$151,913
Salaries - Non-Professional	49,088
Insurances	19,274
Fica, Retirement, Etc.	46,025
Purchased Services	65,254
Supplies and Materials	7,184
Capital Outlay	0
Other	13,615
Total General Administration	<u>\$352,353</u>

Business Office

Salaries - Professional	162,295
Insurances	48,977
Fica, Retirement, Etc.	40,875
Purchased Services	10,676
Supplies and Materials	4,102
Other	980
Total Business Office	<u>\$267,905</u>

Operation and Maintenance

Salaries - Non-Professional	35,742
Insurances	16,526
Fica, Retirement, Etc.	9,963
Purchased Services	126,019
Supplies and Materials	5,944
Capital Outlay	17,844
Total Operation and Maintenance	<u>\$212,038</u>

Other Support Services

Salaries - Professional	40,830
Salaries - Non-Professional	248,835
Insurances	121,671
Fica, Retirement, Etc.	77,699
Purchased Services	216,312
Supplies and Materials	72,786
Capital Outlay	4,337
Other	44,732
Total Other Support Services	<u>\$827,202</u>

Total Support Services

\$3,413,435

Total Expenditures

\$4,334,410

OTHER FINANCING USES

Transfers to Other Funds	500,000
Other Transfers	4,013
Total Other Financing Uses	<u>\$504,013</u>

TOTAL EXPENDITURES AND OTHER FINANCING USES

\$4,838,423

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES FROM
Local Sources

Property Tax Levy	\$6,933,442
Earnings on Investments and Deposits	185,507
Transportation	21,339
Other Local Revenues	33,110
Total Revenues from Local Sources	<u>\$7,173,398</u>

State Sources

Special Education - Sec 51 a	1,599,435
Section 52	1,421,393
Section 56	1,477,032
Medicaid	856,457
Other State Grants	101,788
Total Revenues from State Sources	<u>\$5,456,105</u>

Federal Sources

I.D.E.A. Flowthrough	2,511,798
Preschool	115,915
Title I	6,425
State Initiated	50,000
Transition Services	70,000
Early On	130,431
Medicaid - Transportation & Outreach	117,621
Total Revenues from Federal Sources	<u>\$3,002,190</u>
Total Revenues	<u>\$15,631,693</u>

OTHER FINANCING SOURCES

Transfers from Other Districts	<u>532,937</u>
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TOTAL REVENUES AND OTHER FINANCING SOURCES

\$16,164,630

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTION

Salaries - Professional	\$1,424,232
Salaries - Non-Professional	862,425
Insurances	866,248
Fica, Retirement, Etc.	501,279
Purchased Services	334,588
Supplies and Materials	44,105
Capital Outlay	4,689
<u>Total Instruction</u>	<u>\$4,037,566</u>

SUPPORT SERVICESStudent Services

Salaries - Professional	3,500,026
Salaries - Non-Professional	281,328
Insurances	962,482
Fica, Retirement, Etc.	940,559
Purchased Services	248,690
Supplies and Materials	50,658
Capital Outlay	862
Total Student Services	<u>\$5,984,605</u>

Instructional Support

Salaries - Professional	456,905
Salaries - Non-Professional	174,824
Insurances	194,621
Fica, Retirement, Etc.	150,071
Purchased Services	176,037
Supplies and Materials	18,958
Other	1,666
Total Instructional Support	<u>\$1,173,082</u>

School Administration

Salaries - Professional	89,718
Salaries - Non-Professional	60,703
Insurances	18,271
Fica, Retirement, Etc.	40,026
Purchased Services	4,774
Supplies and Materials	5,745
Total Instructional Support	<u>\$219,237</u>

Business Office

Fica, Retirement, Etc.	11,392
Purchased Services	45,252
Supplies and Materials	18,057
Total Business Office	<u>\$74,701</u>

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
SPECIAL EDUCATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)Operation and Maintenance

Salaries - Non-Professional	\$92,780
Insurances	27,797
Fica, Retirement, Etc.	31,714
Purchased Services	136,960
Supplies and Materials	13,058
Capital Outlay	10,736
Total Operation and Maintenance	<u>\$313,045</u>

Transportation

Salaries - Professional	42,783
Salaries - Non-Professional	510,959
Insurances	314,453
Fica, Retirement, Etc.	146,384
Purchased Services	125,867
Supplies and Materials	210,888
Capital Outlay	156,000
Total Transportation	<u>\$1,507,334</u>

Other Support Services

Salaries - Professional	69,496
Insurances	18,634
Fica, Retirement, Etc.	18,095
Purchased Services	31,677
Supplies and Materials	5,715
Capital Outlay	20,597
Total Other Support Services	<u>\$164,214</u>

Total Support Services

\$9,436,218

COMMUNITY SERVICES

Other	<u>15</u>
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Total Expenditures

\$13,473,799

OTHER FINANCING USES

Transfers to Other Funds	1,153,342
Transfers to Other Districts	2,026,998
Total Other Financing Uses	<u>\$3,180,340</u>

TOTAL EXPENDITURES & OTHER FINANCING USES\$16,654,139

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - OTHER GROUPS
FOR THE YEAR ENDED JUNE 30, 2007

	Due to (From) Other Groups July 1, 2006	Receipts	Disbursements	Due to (From) Other Groups June 30, 2007
AI Room - DC - Gallagher	\$110	\$0	\$0	\$110
AI Room - Elbing	324	0	12	312
Community Foundation	778	0	778	0
DC Store	193	0	100	93
EI/Lincoln/Jones	126	54	63	117
EI Room - Bryant	30	0	0	30
EI Room - Central	126	0	5	121
EI Room - Central - Klinkoski	32	0	0	32
EI Room - OMS/Hartsell	428	36	3	461
Health & Fitness	200	0	162	38
Infant - Toddler	746	1,293	1,011	1,028
Jones Leisure Acct	532	0	200	332
Moreland Grant	0	500	395	105
Pajot Classroom	566	823	625	764
Pre-School/Dev. Center	784	0	49	735
Purcell	100	0	0	100
Pyles	1,500	6,104	5,919	1,685
Secretaries	0	870	637	233
Shiawassee Career Closet	0	1,500	1,111	389
SMI - Dev. Center	95	106	195	6
SRP Yearbook	296	0	0	296
SXI - Dev. Center	243	154	338	59
TMI - Bryant/Wittenberg	84	0	0	84
TMI - CHS/Williams	277	381	187	471
TMI - CMS/Sinn	755	1,845	1,756	844
TMI - HS/Kares	299	983	1,134	148
TMI - NR/Kott	417	666	792	291
<u>TOTAL</u>	<u>\$9,041</u>	<u>\$15,315</u>	<u>\$15,472</u>	<u>\$8,884</u>

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2007

1998 DURANT RESOLUTION PACKAGE BONDS

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$2,106,774

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2008	\$0	4.761353%	\$0	\$0
2009	88,627	4.761353%	23,205	111,832
2010	92,843	4.761353%	18,985	111,828
2011	97,265	4.761353%	14,565	111,830
2012	101,891	4.761353%	9,934	111,825
2013	559,683	4.761353%	191,680	751,363
<u>TOTAL</u>	<u>\$940,309</u>		<u>\$258,369</u>	<u>\$1,198,678</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT

CORUNNA, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 8, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Shiawassee Regional Educational Service District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shiawassee Regional Educational Service District, as of and for the year ended June 30, 2007, which collectively comprise the Shiawassee Regional Educational Service District's basic financial statements and have issued our report thereon dated October 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

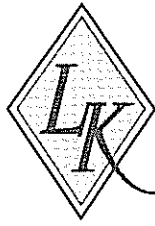
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shiawassee Regional Educational Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shiawassee Regional Educational Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Shiawassee Regional Educational Service District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Shiawassee Regional Educational Service District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Shiawassee Regional Educational Service District's financial statements that is more than inconsequential will not be prevented or detected by the Shiawassee Regional Educational Service District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Shiawassee Regional Educational Service District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Shiawassee Regional Educational Service District

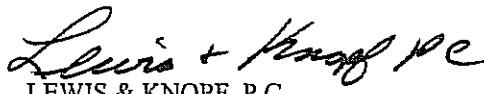
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shiawassee Regional Educational Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

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October 8, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Shiawassee Regional Educational Service District

Compliance

We have audited the compliance of Shiawassee Regional Educational Service District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Shiawassee Regional Educational Service District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Shiawassee Regional Educational Service District's management. Our responsibility is to express an opinion on Shiawassee Regional Educational Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shiawassee Regional Educational Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shiawassee Regional Educational Service District's compliance with those requirements.

In our opinion, Shiawassee Regional Educational Service District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over-Compliance

The management of Shiawassee Regional Educational Service District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Shiawassee Regional Educational Service District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shiawassee Regional Educational Service District's internal control over compliance.



Shiawassee Regional Educational Service District

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October 8, 2007

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shiawassee Regional Educational Service District, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 8, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Shiawassee Regional Educational Service District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies:	84.010		
Title I Regular (05-06)		61700-0506	\$8,099
Title I Regular (06-07)		71700-0607	6,425
Total Title I Grants to Local Educational Agencies:			<u>\$14,524</u>
Special Education - Grants to States	84.027		
IDEA Flowthrough (05-06)		60450-0506	2,599,867
IDEA Flowthrough (06-07)		70450-0607	2,636,058
Transition Services (05-06)		60490-TS	70,000
Transition Services (06-07)		70490-TS	70,000
State Initiated Competitive (05-06)		60480-EOSD	50,000
State Initiated Competitive (06-07)		70480-EOSD	50,000
Total Special Education - Grants to States			<u>\$5,475,925</u>
Special Education - Preschool Grants	84.173		
Preschool Incentive (03-04)		60460-0506	117,356
Preschool Incentive (06-07)		70460-0607	115,915
Total Special Education - Preschool Grants			<u>\$233,271</u>
Special Education - Grants for Infants & Families with Disabilities	84.181		
Formula Grant (06-07)		71340-190	117,945
Formula Grant (05-06)		61340-190	116,330
Total Special Education - Grants for Infants & Families with Disabilities			<u>\$234,275</u>
William F. Goodling Even Start Family Literacy	84.213		
Even Start (05-06)		60390-D0629CES	225,000
Innovative Education Program Strategies	84.298		
Title V (06-07)		70250-0607	330
Title V (05-06)		50250-0506	587
Title V (05-06)		60250-0506	1,646
Total Innovative Education Program Strategies			<u>\$2,563</u>
Improving Teacher Quality	84.367		
Title IIA (06-07)		70520-0607	551
Total Passed through Michigan Department of Education			<u>\$6,186,109</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$8,099	\$8,099	\$0	\$0	\$8,099	\$0
0	0	6,425	0	341	6,084
\$8,099	\$8,099	\$6,425	\$0	\$8,440	\$6,084
274,053	2,599,867	0	0	274,053	0
0	0	2,511,798	0	2,441,797	70,001
35,000	70,000	0	0	35,000	0
0	0	70,000	0	63,044	6,956
19,657	50,000	0	0	19,657	0
0	0	50,000	0	48,088	1,912
\$328,710	\$2,719,867	\$2,631,798	\$0	\$2,881,639	\$78,869
20,190	117,356	0	0	20,190	0
0	0	115,915	0	83,034	32,881
\$20,190	\$117,356	\$115,915	\$0	\$103,224	\$32,881
0	0	98,695	0	80,542	18,153
0	84,594	31,736	0	31,736	0
\$0	\$84,594	\$130,431	\$0	\$112,278	\$18,153
45,047	225,000	0	0	45,047	0
0	0	300	0	300	0
587	587	0	0	587	0
558	1,646	0	0	558	0
\$1,145	\$2,233	\$300	\$0	\$1,445	\$0
0	0	551	0	551	0
\$403,191	\$3,157,149	\$2,885,420	\$0	\$3,152,624	\$135,987

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u> (Continued)			
Passed through Genesee Intermediate School District (Continued)			
Vocational Education - Basic Grants to States	84.048		
Secondary Regional Education (06-07)		63520-7015-15	\$154,796
Career Technical Education	84.243		
Entrepreneurship Curriculum Development - (06-07)		73540-7014-15	23,041
Total Passed through Genesee Intermediate School District			<u>\$177,837</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$6,363,946
<u>U.S. EMPLOYMENT & TRAINING ADMINISTRATION</u>			
Passed through Career Alliance, Inc.	17.250		
Workforce Investment Act Title I (Summer) (06-07)		028-K-06	35,300
Workforce Investment Act Title I (Year-Round) (06-07)		028-K-06	235,200
Workforce Investment Act Title I (Summer) (05-06)		028-K-05	87,073
Workforce Investment Act Title I (Year-Round) (05-06)		028-K-05	<u>120,927</u>
<u>TOTAL U.S. EMPLOYMENT & TRAINING ADMINISTRATION</u>			\$478,500
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Michigan Department of Community Health	93.778		
Administrative Outreach		N/A	114,528
School Based Services - Transportation		N/A	<u>3,093</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			\$117,621
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Homeland Security	97.004	N/A	<u>35,505</u>
<u>TOTAL</u>			<u><u>\$6,995,572</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$0	\$0	\$154,796	\$0	\$154,796	\$0
0	0	23,041	0	23,041	0
<u>\$0</u>	<u>\$0</u>	<u>\$177,837</u>	<u>\$0</u>	<u>\$177,837</u>	<u>\$0</u>
\$403,191	\$3,157,149	\$3,063,257	\$0	\$3,330,461	\$135,987
0	0	35,300	0	35,300	0
0	0	196,003	0	89,183	106,820
4,587	87,073	0	0	4,587	0
<u>30,141</u>	<u>120,927</u>	<u>0</u>	<u>0</u>	<u>30,141</u>	<u>0</u>
\$34,728	\$208,000	\$231,303	\$0	\$159,211	\$106,820
0	0	114,528	0	114,528	0
<u>0</u>	<u>0</u>	<u>3,093</u>	<u>0</u>	<u>3,093</u>	<u>0</u>
\$0	\$0	\$117,621	\$0	\$117,621	\$0
0	0	32,709	0	35,505	(2,796)
<u>\$437,919</u>	<u>\$3,365,149</u>	<u>\$3,444,890</u>	<u>\$0</u>	<u>\$3,642,798</u>	<u>\$240,011</u>

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

\$3,444,890

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund

\$442,700

Special Education Fund

3,002,190

TOTAL

\$3,444,890

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$56,609
Current Payments Per the Grant Section Auditor's Report		
Cash Management System		
Add: Title I (CFDA 84.010)	\$8,099	
Add: Special Education (CFDA 84.027)	2,881,639	
Add: Preschool (CFDA 84.173)	103,224	
Add: Special Education - Infants & Families w/ Disabilities (CFDA 84.181)	56,861	
Add: Even Start (CFDA 84.213)	45,047	
Add: Title V (CFDA 84.298)	1,145	
Total		3,096,015
<u>Add:</u> Grants Passed through Genesee Intermediate School District		
Vocational Education - Grants to States (CFDA 84.048)	154,796	
Career Technical Education (CFDA 84.243)	23,041	
Total Grants Passed through Genesee Intermediate School District		177,837
Passed through Workforce Development Board & Michigan Works		
Workforce Investment Act (CFDA 17.250)		159,211
Passed Through the Michigan Department of Community Health		
Medicaid - Outreach & Transportation (CFDA 93.778)		117,621
Passed Through Michigan Department of Homeland Security		
Homeland Security (CFDA 97.004)		35,505
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u> <u>OF FEDERAL AWARDS</u>		<u>\$3,642,798</u>

SHIAWASSEE REGIONAL EDUCATIONAL SERVICE DISTRICT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.027/84.173

Name of Federal Program or Cluster
Special Education Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.

SHIAWASSEE REGIONAL EDUCATION SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PROGRAM TITLE/ SUBRECIPIENT	FEDERAL CFDA NUMBER	SUBRECIPIENT PROJECT NUMBER	SUBRECIPIENT AWARD AMOUNT
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Medicaid Assistance</u>	93.778	N/A	
<u>Administrative Outreach</u>			
Byron Area Schools			\$2,330
Corunna Public Schools			12,039
Durand Area Schools			9,511
Laingsburg Community Schools			6,281
Morrice Area Schools			2,015
New Lothrop Schools			2,044
Owosso Schools			20,520
Perry Schools			9,180
Total Medicaid Assistance			<u>\$63,920</u>
 <u>US DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Homeland Security</u>	97.004	N/A	
Byron Area Schools			1,022
Corunna Public Schools			9,219
Durand Area Schools			3,263
Laingsburg Community Schools			1,242
Morrice Area Schools			628
New Lothrop Schools			3,592
Owosso Schools			3,806
Perry Schools			6,996
Total Homeland Security			<u>\$29,768</u>
 <u>TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS</u>			 <u><u>\$93,688</u></u>

<u>DUE TO (FROM)</u> <u>SUBRECIPIENTS</u> <u>JULY 1, 2005</u>	<u>SUBRECIPIENTS</u> <u>PRIOR YEAR</u> <u>EXPENDITURES</u>	<u>CURRENT YEAR</u> <u>CASH TRANSFERRED</u> <u>TO SUBRECIPIENTS</u>	<u>EXPENDITURES</u> <u>REPORTED BY</u> <u>SUBRECIPIENTS</u>	<u>DUE TO (FROM)</u> <u>SUBRECIPIENTS</u> <u>JUNE 30, 2007</u>
\$0	\$0	\$2,330	\$2,330	\$0
0	0	12,039	12,039	0
0	0	9,511	9,511	0
0	0	7,153	7,153	0
0	0	2,015	2,015	0
0	0	2,044	2,044	0
0	0	20,520	20,520	0
0	0	9,180	9,180	0
<u>\$0</u>	<u>\$0</u>	<u>\$64,792</u>	<u>\$64,792</u>	<u>\$0</u>
0	0	1,022	1,022	0
0	0	9,219	9,219	0
0	0	3,263	3,263	0
0	0	1,242	1,242	0
0	0	628	628	0
0	0	3,592	3,592	0
0	0	3,806	3,806	0
0	0	6,996	6,996	0
<u>\$0</u>	<u>\$0</u>	<u>\$29,768</u>	<u>\$29,768</u>	<u>\$0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$94,560</u>	<u>\$94,560</u>	<u>\$0</u>